

VZCZCXRO1945
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #1467/01 1810043
ZNR UUUUU ZZH
P 300043Z JUN 09
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 4163
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 7266
RUEHFK/AMCONSUL FUKUOKA 4935
RUEHOK/AMCONSUL OSAKA KOBE 8738
RUEHNAG/AMCONSUL NAGOYA 2474
RUEHKSO/AMCONSUL SAPPORO 5458
RUEHBJ/AMEMBASSY BEIJING 0166
RUEHUL/AMEMBASSY SEOUL 6197
RUCNDT/USMISSION USUN NEW YORK 5884

UNCLAS SECTION 01 OF 14 TOKYO 001467

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 06/30/09

Index:

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule (Nikkei)

Secret nuclear pact:

- 4) Former Vice Foreign Minister Murata: Senior officials responsible for the existence of secret pact allowing U.S. forces to bring nuclear weapons into Japan (Mainichi)
- 5) Text of interview with former Vice Minister Murata: Government lied to the public about the secret pact (Mainichi)
- 6) Chief cabinet secretary denies existence of secret nuclear pact with U.S. despite testimony of former senior official (Yomiuri)

Political agenda:

- 7) Increasing likelihood that Prime Minister Aso will resign his post, having set a Diet-dissolution strategy in motion (Tokyo Shimbun)
- 8) "Dump Aso" move in the Liberal Democratic Party (LDP) expands even more (Mainichi)
- 9) Diet dissolution soon after July 12 Tokyo assembly election looking more likely (Asahi)
- 10) LDP may run popular Miyazaki governor at the top of the proportional ticket in the next Lower House race (Mainichi)
- 11) New Komeito greatly irritated by the LDP political shenanigans that are interfering with the party's goal to win big in the Tokyo assembly elections (Yomiuri)
- 12) Two camps in the Diet clash over politics and money scandals (Nikkei)
- 13) Manifestos (campaign promises) of two camps have respective visions of taking control of the bureaucracy (Sankei)

14) Democratic Party of Japan (DPJ) outlines its new policy that will need 17 trillion yen to implement (Nikkei)

15) Hatoyama critical that Japan Post Chair Nishikawa kept on, predicts further drop in cabinet support (Sankei)

16) Arrest of North Korea-connected company executive for helping the DRPK make illegal tech transfer of missile parts to Burma (Myanmar) (Mainichi)

Articles:

1) TOP HEADLINES

Asahi:

Diet dissolution likely to come after Tokyo assembly election

Mainichi:

Aso gives up on changing LDP executives, faced with strong reactions in party

Yomiuri:

Police arrest three for attempt to transfer North Korean missile technology to Burma (Myanmar)

Nikkei:

Japanese, South Korean, Taiwanese firms producing panels, other materials for flat-screen TVs to operate at full capacity

Sankei:

Unpaid tax money in Tokyo in fiscal 2008 increased by 23 billion yen

TOKYO 00001467 002 OF 014

annually

Tokyo Shimbun:

Calls for Aso's resignation growing in LDP

Akahata:

JCP member's Diet questioning prompts Aozora Bank to withdraw improper dismissal of employee

2) EDITORIALS

Asahi:

(1) Government's "lie" about secret nuke deal between Japan, U.S. again exposed

(2) Bold management reform set as precondition for assistance to JAL

Mainichi:

(1) Delusive sophistry on secret nuke deal no longer acceptable

(2) Growing protectionism: Let's return to WTO negotiations

Yomiuri:

(1) Nishikawa's reappointment as Japan Post subject to conditions

(2) Cellular phone rules: Use Ishikawa Prefecture's ordinance as model

Nikkei:

(1) Take U.S. pullout from Iraq as turning point for independence, stability

(2) Intel Nokia aiming at new hegemony

Sankei:

(1) Aso should speak of state vision in run-up to general election

(2) Reflect individual investors' views expressed in shareholders' meetings

Tokyo Shimbun:

(1) Aso urged to decide to dissolve Diet right now

(2) Effectiveness of cellular phone rules still unknown

Akahata:

(1) Momentum is gathering for reviewing system of regarding the dollar as world's key currency

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, June 29

NIKKEI (Page 2) (Full)
June 30, 2009

07:33 Took a walk near official residential quarters
09:53 Met Deputy Chief Cabinet Secretaries Matsumoto, Asano at Prime Minister's Official Residence (Kantei); Asano stayed behind
11:10 Government's Advanced Research and Development Support Conference; followed by visit from 2009 Miss Japan "Day of the Sea" Yu Ikenaga, others
11:49 Visit from women's division of support group from local constituency
13:00 House of Councillors Budget Committee
16:23 Vice Finance Minister Sugimoto, Budget Bureau Director General Tango, Tax Bureau Director General Kato, head of Finance Minister's

TOKYO 00001467 003 OF 014

Secretariat Katsu

17:02 LDP executive meeting; Secretary General Hosoda, Deputy Chief Cabinet Secretary Matsumoto stayed behind
17:42 Met Minister of Economy, Trade, and Industry Nikai at Kantei; followed by public relations officer Ogawa
19:28 Met Tokyo Electric Power Company Chairman Tsunehisa Katsumata, President Masataka Shimizu, others at Japanese restaurant "Fukudaya" in Kioi-cho
20:52 Arrived at official residential quarters; met Upper House Rules and Administration Committee Chairman Nishioka; followed by Chief Cabinet Secretary Kawamura

4) Gov't held accountable for secret deal on nuclear introduction

MAINICHI (Page 5) (Abridged)
June 30, 2009

In 1960, when Japan and the United States revised their security pact, the Japanese government agreed to let U.S. forces bring nuclear weapons into Japan with nuclear-carrying naval vessels' port calls. Concerning this secret deal on nuclear introduction, former Administrative Vice Foreign Minister Ryohei Murata, 79, has told the Mainichi Shimbun that he had taken over this arcane agreement in written form from his predecessor. The process of such secret negotiations over the establishment of security arrangements between Japan and the United States has been unveiled in U.S. official documents and in testimonies given by those engaged in bilateral negotiations. However, this is the first time that a former administrative vice foreign minister has admitted to the existence of such a secret deal under his real name. Its meaning is extremely heavy. Japan, as the only atomic-bombed nation, is taking the initiative for nuclear elimination. On the other hand, the Japanese government has been denying the secret deal. Its clear-cut accountability is indispensable.

"It's been more than a decade since I left (the Foreign Ministry). The Cold War is over now, and the times are quite different, so I thought it's all right now." With this, Murata explained why he gave the testimony on the secret deal. In his memoirs published last year, Murata revealed that there was a "secret understanding" between the Japanese and U.S. governments that did not necessitate prior consultations for nuclear introduction through nuclear-carrying vessels' port calls or transits through Japan's territory.

When the Japan-U.S. Security Treaty was revised in 1960, the Japanese and U.S. governments agreed to hold prior consultations on nuclear introduction. However, the two governments reached an arcane agreement to preclude nuclear-carrying U.S. naval vessels' port calls and transits from the subjects of prior consultations. In March 1963, however, then Prime Minister Hayato Ikeda stated in his Diet reply, "We will not allow ships carrying nuclear warheads to call at Japanese ports." U.S. Ambassador to Japan Reischauer, who was concerned about a contradiction with the secret agreement, reconfirmed the secret deal on port calls with then Foreign Minister Masayoshi Ohira. The testimony given by Murata substantiates the

existence of such a secret accord.

Chief Cabinet Secretary Takeo Kawamura met the press yesterday and repeatedly denied the secret deal on nuclear introduction. Kawamura said, "Since there have been no prior consultations on nuclear introduction, there has been no nuclear introduction." Concerning

TOKYO 00001467 004 OF 014

such a stance of the government, Murata said the government has apparently lied. In his book, Murata stresses: "The principle of not allowing nuclear weapons into Japan (among Japan's three nonnuclear principles of not producing, possessing or allowing nuclear weapons into the country) should be abolished right away, because this deceives the people."

5) Murata: Japan obviously lies

MAINICHI (Page 5) (Full)
June 30, 2009

-- Did you know the existence of the secret deal before you became administrative vice foreign minister?

Former Administrative Vice Foreign Minister Ryohei Murata: I heard that there might be something like a secret agreement. I first saw a Japanese document on the secret agreement when I became administrative vice minister.

-- Did you then confirm it for the first time?

Murata: There was no reason to confirm it, I just thought to myself there it is. It was (former U.S. Ambassador to Japan) Reischauer, I think, who once said, "For some time, there has been such a commitment." He was quoted as saying so in a declassified U.S. diplomatic document. That made the news in Japan. The papers wrote, "Reischauer said something like that." Then, the government desperately said: "No, such a secret agreement does not exist. No." America made public a diplomatic document that stated there was a secret agreement. But Japan said there was no such secret agreement. Someone is telling a lie. Which side is lying? It's obvious that Japan is.

-- Do you remember what kind of paper you received about the secret agreement?

Murata: It was a piece of paper the Foreign Ministry uses usually.

-- No stamp on it like 'handle with care' or 'confidential'?

Murata: No.

-- Only a piece of paper?

Murata: It was written on a piece of paper the Foreign Ministry uses, and it was contained in an envelope. I received it from my predecessor (Kensuke Yanagiya). I was then told to brief the minister on what's written on it. I told this to Mr. Kuranari (i.e., Foreign Minister Tadashi Kuranari in the 3rd Nakasone cabinet) and also to Foreign Minister (Sosuke) Uno (in the Takeshita cabinet).

-- Do you remember the document's wording?

Murata: I don't remember it exactly. Well, I remember it roughly, of course. But I can't remember every word.

-- What was written on that piece of paper?

Murata: It was something like what I wrote in my book. (There is no need to hold prior consultations for nuclear-carrying U.S. naval vessels' port calls and transits through Japan's territorial

TOKYO 00001467 005 OF 014

waters.)

-- The U.S. government declassified a diplomatic document, and the Japanese government denied it. What did you think then?

Murata: I wondered why the government had to tell such a lie. I felt dissatisfied, because this would be brought to light someday, sooner or later.

-- When you took over the secret agreement, were you just told to explain it (to the minister)?

Murata: Yes.

-- Did you hand it over to your successor (Takakazu Kuriyaya)?

Murata: That's right.

-- You were in the Foreign Ministry. Is there anything you can understand about the secret agreement?

Murata: No. The government came up with what's called the three nonnuclear principles at the time of the (Eisaku) Sato cabinet. I thought it was nonsense. This was my personal view at that time, though.

-- Was there any problem about setting forth the three nonnuclear principles?

Murata: I was concerned about the third principle of not allowing nuclear weapons into Japan. The other two principles are not to possess nuclear weapons and not to make nuclear weapons. These two principles are good. But a U.S. ship that happens to carry nuclear weapons calls at Yokosuka, and that ship leaves for Vietnam again after being refueled. This does not fall under nuclear introduction. It's nonsense to include (nuclear-carrying ships') port calls and transits through Japan's territorial waters in the concept of nuclear introduction. However, the Cold War was going on in those days. Japan and the United States had their own circumstances and secrets. So, they are not to blame. That's why I have been silent.

6) Ex-vice foreign minister admits secret accord on US military bringing in nuclear arms; Chief cabinet secretary denies existence

YOMIURI (Page 1) (Full)
Evening, June 29, 2009

In connection with the alleged secret agreement between the Japanese and U.S. governments at the time of the revision of the bilateral security treaty in 1960 that the Japanese government will acquiesce and allow vessels carrying nuclear weapons to call on Japanese ports and pass through Japanese territorial waters, Ryohei Murata, who served as vice foreign minister from July 1987 to August 1989, told Yomiuri Shimbun at an interview on June 29 that "such a document existed," admitting the existence of the secret pact. The Japanese government has consistently denied its existence.

During the negotiations on the security treaty revision in 1960, the introduction of nuclear arms into Japan by the U.S. forces became a "major change in equipment" that required prior consultations between the two countries. On the other hand, a secret agreement was reached under which port calls and passage through Japanese waters

TOKYO 00001467 006 OF 014

would be tacitly allowed and would not require prior consultation.

Murata told Yomiuri that, "I was told by my predecessor that 'as the vice minister, tell this to the foreign minister'." He said he had also told the foreign minister at that time.

The existence of this secret agreement has already been revealed by official documents of the U.S. government and testimonies from U.S. officials. Murata had also written in his book published last year *Memoirs of Ryohei Murata (Murata Ryohei Kaisoroku) (Minerva Shobo)*: "Actually, there was a secret understanding between Japan and the U.S. at the time of the negotiations in 1960 that port calls and passage through territorial waters would not require prior consultation."

Murata also indicated that the width of the territorial sea in five straits - Soya, Tsugaru, Osumi, and East and West Channels of Tsushima - was set at 3 nautical miles and not 12 nautical miles, as stipulated in the Territorial Sea Law (of 1977), as a measure to prevent the passage of U.S. vessels carrying nuclear arms from becoming a political issue. Murata said: "That is my understanding. While it was not my decision, I personally felt that this was ill-conceived."

Foreign ships, including Chinese military vessels, pass through the five straits frequently because parts of them are international waters.

Regarding this secret agreement on bringing in nuclear weapons, Chief Cabinet Secretary Takeo Kawamura stated at his news conference on June 29 that: "The secret agreement does not exist. Previous prime ministers and foreign ministers have clearly denied its existence. This is the government's official position. There is nothing more to this issue."

7) Calls for Prime Minister's resignation growing; Dissolution strategy in impasse

TOKYO SHIMBUN (Top play) (Full)
June 30, 2009

Tetsuya Yoshida, Political Department

In response to a question from the press corps at the Prime Minister's Official Residence (Kantei) yesterday, Prime Minister Taro Aso said that he was not thinking of shuffling the LDP executives or his cabinet at the moment. He also suggested that he will not dissolve the House of Representatives until after the July 12 Tokyo Metropolitan Assembly election, saying: "I will make a decision. The dissolution will be in the not-too-distant future before Sept. 10 (when the term of the Lower House lawmakers expires)."

Prime Minister Aso is in the hot seat. He was considering shuffling the LDP executives and his cabinet later this week to turn the situation around. But he has been forced to give up on the option due to fierce objections from within the LDP. The Prime Minister is now on the verge of being forced into resignation without exercising his right to dissolve the House of Representatives.

Before the House of Councillors Audit Committee yesterday, Aso again reiterated his intention to make an independent decision on Lower

TOKYO 00001467 007 OF 014

House dissolution, saying, "I will make a decision before the term (of the Lower House lawmakers) expires in September by taking into consideration a variety of factors."

His plan was to increase his grip on power by partially shuffling the LDP executives and his cabinet, to dissolve the Lower House before the July 12 Tokyo election, and to hold the next general election in early August. But this plan fell through, and the Prime Minister is now being pressed to review his dissolution strategy.

The Prime Minister's consideration of dissolution before the Tokyo election and shuffling the cabinet came from the fear that if the ruling bloc loses the Tokyo election, which the opposition camp regards as a prelude to the Lower House election, the move to unseat Aso will gain momentum.

At an LDP executive meeting yesterday, Aso said: "The election is not too far off. We must make thorough preparations." A prime ministerial aide, too, enthusiastically said, "There is no other option but to dissolve the Lower House immediately after the Tokyo polls." To begin with, the Prime Minister attempted to use the shuffle and dissolution card on the assumption that the ruling bloc would lose the Tokyo election. It is clear, however, postponing the dissolution until after the Tokyo election because the earlier plan fell through will offer no bright prospects.

There are strong calls for Aso's resignation among LDP lawmakers, including Secretary General Hidenao Nakagawa who said, "The Prime Minister must make an honorable decision so that the LDP administration will continue even after his administration ends."

Asked by the press corps last night if he was aware of the growing move to unseat him, the Prime Minister said ostensibly in a calm tone, "I know about it." But his next move remains to be seen.

8) Premier gives up on reshuffling LDP leadership: Move to oust Aso could expand; Decline in power base unavoidable

MAINICHI (Page 2) (Excerpts)
June 30, 2009

Now that Prime Minister Taro Aso has been forced to give up on the reshuffling of the LDP executive lineup, his leadership is bound to weaken further. Moves to oust Aso, which have been lingering in the party, are now gaining a far more realistic prospect than ever before. Those who have served as party executives, such as former secretaries general Hidenao Nakagawa and Tsutomu Takebe, as well as mid-ranking and junior lawmakers, whose election bases are weak, are now openly calling for the prime minister to step down. The situation is now a limited move to oust Aso could grow into a trend to tighten the noose around him.

The prime minister has forgone the reshuffling of the LDP leadership, because he has determined that if he had done so, overcoming the opposition in the party when the dissolution of the Lower House for a snap election is close at hand, it is bound to cause a chaotic situation. However, this has exposed that Aso as the party president is having difficulty managing party affairs. There has now appeared a possibility that he might be even unable to dissolve the Lower House, depending on the outcome of the upcoming Tokyo Metropolitan Assembly election.

TOKYO 00001467 008 OF 014

The prime minister started the process of choosing a new lineup after meeting with former prime minister Shinzo Abe on the evening of June 24. Abe advised Aso that since the LDP is suffering a setback in campaigns for the Shizuoka gubernatorial election campaign and the Tokyo Metropolitan Assembly election, he should dissolve the Lower House at an early date, while reshuffling the party leadership and the cabinet. When news of this spread on the 25th, many party members opposed the idea, because it would give the impression that the party is floundering.

9) Aso likely to dissolve Diet after Tokyo assembly, denies replacement of three party executives

ASAHI (Top Play) (Full)
June 30, 2009

Although Prime Minister Aso once considered dissolving the House of Representatives before the Tokyo metropolitan assembly election, it is now likely that the dissolution will come after the election, reflecting strong opposition in the ruling camp to an early dissolution amid dismal public support ratings for the Aso cabinet. Regarding the possibility of replacing the three party executive officers and some cabinet members, Aso told reporters at the Prime Minister's Official Residence yesterday: "I am not considering that possibility as of now." But he is still exploring ways to solidify unity in the Liberal Democratic Party (LDP) prior to the general election. Even so, since Aso is rapidly losing the support of his party, many party members have voiced doubt about his ability to assume leadership.

Aso was considering the possibility of changing his party's executive lineup after the budgetary request guidelines for fiscal 2010 is approved at a cabinet meeting on July 1. The idea of appointing Election Strategy Committee Vice Chairman Yoshihide Suga as secretary general was also floating.

But many party members speculated that Aso's idea of replacing the executive lineup might be to pave the way for dissolving the Lower

House before the Tokyo assembly election as part of efforts to forestall expected moves to "dump Aso" depending on the outcome of the Tokyo assembly election. Many ruling party members reacted fiercely to an early Diet dissolution; one even called it "a suicide-bombing." Particularly executive members of the Machimura faction, the largest faction, and the Ibuki faction, both of which support Prime Minister Aso, and of the New Komeito, which places emphasis on the Tokyo assembly election, raised strong objections.

However, if Aso fails to carry out his plan of changing the top party executives, he will inevitably lose his grip on the party. In such a case, he might be driven into resignation. Given this, observers take this view: Switching his strategy, Aso has sealed off the idea of dissolving the Lower House before the Tokyo assembly election but has also continued to explore a chance to replace the executive lineup.

Aso said in an LDP executive meeting yesterday: "I will hold a general election in the "not-so-distant future." We must win the election without fail, so let us make thorough preparations." He then instructed the participants to speed up preparations for the election, including the formation of the party's policy manifesto. He did not refer to his plan to replace the three top executives.

TOKYO 00001467 009 OF 014

Afterward, Aso told reporters that the timing for the dissolution will be "in the not-too-distant future" before September 10, (when the Lower House members' terms of office expire)." If the dissolution is delayed to late August, calls for moving up a party presidential election could become more realistic. Given this, Aso probably has not changed his plan to hold the election on August 2 or 9. If the LDP suffers a crushing defeat in the upcoming Shizuoka gubernatorial election and the Tokyo assembly election, however, Aso will surely lose his political influence in one stroke. In such a case, he might not be able to take the initiative in determining personnel changes and the timing for Diet dissolution.

10) LDP considering listing Higashikokubaru in top rank of candidates for Tokyo proportional representation bloc

MAINICHI (Page 1) (Full)
June 30, 2009

The Liberal Democratic Party (LDP) yesterday began looking into giving preferential treatment to Miyazaki Gov. Hideo Higashikokubaru, whom the LDP has asked to run in the next House of Representatives election on the LDP ticket. The party would rank him number one in its list of the candidates for the Tokyo proportional representation segment. LDP Election Strategy Council Chairman Makoto Koga met yesterday with Chief Cabinet Secretary Takeo Kawamura to say that Higashikokubaru is enthusiastic about joining national politics. Kawamura then last night reported such information to Prime Minister Taro Aso.

With an eye on the next Lower House election, the LDP has placed importance on the July 5 Shizuoka gubernatorial election and the July 12 Tokyo Metropolitan Assembly election. Amid the declining support rates for the Aso cabinet and the LDP, it is expected that candidates backed by the LDP will face an uphill battle in the elections. The LDP, therefore, is looking forward to seeing popular Gov. Higashikokubaru's election support. With the Shizuoka gubernatorial election coming up on July 5, the LDP is in hurry to arrive at a conclusion on Higashikokubaru's treatment in the Lower House election in order to urge him to make a decision to run in the snap election as quickly as possible.

Koga visited the Miyazaki prefectural government office on June 23 and asked Higashikokubaru to run in the general election as an LDP candidate. Higashikokubaru, however, has demanded as conditions to run in the election that the LDP list him as a candidate for party president and that the LDP incorporate requests for decentralization compiled by the National Governors' Association in its manifesto (campaign pledges) for the Lower House election.

11) Irritated New Komeito unable to concentrate on Tokyo election

The New Komeito is growing restive with calls for the dissolution of the House of Representatives before the July 12 Tokyo Metropolitan Assembly election and moves in the Liberal Democratic Party (LDP) to unseat Prime Minister Taro Aso. The New Komeito fears that those developments will have a negative impact on the party's outcome in the Tokyo election

The New Komeito is supported by Soka Gakkai, a lay Buddhist

TOKYO 00001467 010 OF 014

organization headquartered in Tokyo's Shinjuku Ward. The party puts high priority on the Tokyo election in order to maintain its influence over the administration of the nation's capital. Assembled in Tokyo, New Komeito local assemblymen and Soka Gakkai members are now working hard to cultivate votes for the party. The party wants to have the next general election in late August, with a senior party member saying, "To make thorough preparations, we need a month and a half between the Tokyo election and the Lower House election."

Aso has an election in early August in mind. Some New Komeito lawmakers are tolerant of a Lower House election on Aug. 9, which will be four weeks after the Tokyo race, on the condition that the ruling bloc wins a majority in the Tokyo election.

The New Komeito is increasingly displeased with moves in the LDP for an early party presidential election with the aim of unseating Aso. One New Komeito lawmaker said, "With the Tokyo and Lower House elections coming up, such would only generate a negative image." Another member disgustingly said, "To those working hard for the Tokyo race, such moves are outrageous." The member suggested the possibility that the New Komeito will not endorse for the next Lower House election those who had a hand in the move to dump Aso.

At the same time, the New Komeito is also increasingly discontent with Prime Minister Aso, who is struggling with dismal public support ratings. But the party came under fire last September as it created a trend to force unpopular former Prime Minister Yasuo Fukuda into resignation, paving the way for the Aso administration. The party also welcomed the advent of Prime Minister Aso as the new "face" for elections. Another change of prime minister might spark public criticism, and this is preventing the New Komeito from openly criticizing Prime Minister Aso.

12) Politics and money spark controversy

The ruling and opposition camps are intensifying their attacks on one other over issues involving politics and money. While the ruling parties pursued scandals involving the Democratic Party of Japan (DPJ) President Yukio Hatoyama and Deputy President Ichiro Ozawa during Diet deliberations on a bill amending the Political Funds Control Law submitted by the DPJ, the DPJ counterattacked the ruling parties over the alleged roundabout political donations involving Kaoru Yosano, who is in charge of economic and fiscal policy as well as financial services. Both camps are holding onto powder kegs that could create weaknesses in the Lower House election.

Upper House member Shoji Nishida of the LDP at an Upper House Audit Committee meeting on June 29 brought up the scandal involving Hatoyama in which his political fund management organization's political fund report mentioned donations as made by a deceased person, saying, "This is a completely false statement." He also criticized the issue of Ozawa's fund management organization having purchased a large amount of real estate.

Hatoyama will shortly release the result of a survey on the scandal. He told reporters on the 29th, "This is a matter involving not the party but the Hatoyama office." The politics and money scandal involving the head of the first opposition party, which is aiming to

take the reins of government, could create obstacles.

The ruling parties on the 29th proposed entering into deliberations on the 39th on the bill amending the Political Fund Control Law submitted by the DPJ. LDP Diet Affairs Committee Chairman Tadamori Oshima at a committee meeting on the 29th stressed, "We cannot turn a blind eye to the issue of donations made to Mr. Hatoyama by a 'deceased person'. I want to thoroughly pursue this issue." He hinted at his determination to look into summoning Hatoyama as a Diet witness.

The DPJ criticized Oshima as abusing the system out of political motivation. Upper House member Nobuo Matsuno at an Upper House Audit Committee meeting the same day criticized Yosano over his scandal, saying, "He has been receiving donations from the commodity futures industry, which is the most important element of the consumer issue."

Some opposition party members, including Deputy President Naoto Kan of the DPJ, plan to invite former New Komeito Chairman Junya Yano on July 1 and ask him about the relationship between the New Komeito and Soka-Gakkai, the New Komeito's support base. Their move is partly motivated by the hope that the New Komeito will check the ruling parties' move to summon Hatoyama.

13) Council for 21st century recommends LDP, DPJ to include visions to control bureaucracy in manifestos

SANKEI (Page 5) (Full)
June 30, 2009

Former President of University of Tokyo Takeshi Sasaki, co-leader of the National Council (kokumin kaigi) (21st century ad hoc committee) to Build a New Japan comprising of experts, held a press conference yesterday in Tokyo. At the press meeting, Sasaki announced an urgent proposal calling on the Liberal Democratic Party (LDP) and Democratic Party of Japan (DPJ) to include their manifestos for management of the government, which is a vision for steering the administration and for controlling the bureaucracy, in their manifestos (set of campaign pledges) for the next House of Representatives election.

With regard to the manifesto for management of the government, the urgent proposal requested that the LDP present measures to rebuild the administration and the DPJ submit a power transition plan and government management plan.

The urgent proposal pointed out that the present political turmoil is a result of the fact that Prime Minister Junichiro Koizumi left office only one year after the LDP won big in the Lower House election citing the expiration of the LDP presidential term. It also proposed that the LDP include in its manifesto a review of the party leadership election so as not to replace the prime minister due to internal party situations before the term in office expires.

Keio University Prof. Yutaka Sone, general manager of the 21st century ad hoc panel, criticized calls in the LDP for moving up the presidential election, arguing:

"It's too late. I wonder if the LDP can come up with a manifesto under the leadership of a new president. The LDP needs to review the past four years of government. What's the reason for speeding up the

election?"

14) DPJ manifesto

NIKKEI (Page 2) (Full)
June 30, 2009

The Democratic Party of Japan's (DPJ) manifesto review and

preparatory committee, chaired by Masayuki Naoshima, at a meeting on June 29 firmed up a draft plan for the party's manifesto for the next Lower House election. According to the draft, funding resources needed to implement new policy proposals total roughly 17 trillion yen. The necessary funds will be secured by cutting wasteful spending and drawing from so-called hidden funds, such as reserve funds in the special account. Concerning the schedule for abolishing the provisional rates for various road-related taxes, such as gasoline tax - the showcase of the manifesto - final adjustments will be made on April 2010.

The party will aim to implement portions of monthly child benefits of 26,000 yen to be distributed to children through middle school age and free high school education, starting in April 2010.

Concerning the handling of the provisional tax rate, the main point of contention, Secretary General Katsuya Okada is calling for abolishing it in fiscal 2011 or later, noting that it will difficult to raise approximately 2.6 trillion yen in funding resources starting in fiscal 2010. President Yukio Hatoyama, however, is insisting that it be scrapped immediately. The party will reach a decision at an executive meeting on the 30th.

The manifesto includes a roadmap from fiscal 2010 through fiscal 2013, which shows key policy implementation procedures and measures to secure funding resources. The amount of funds needed is estimated to be about 7 trillion yen for fiscal 2010 and reach about 17 trillion yen in the final year of fiscal 2013. Approximately 9 trillion yen is expected to be secured through cuts in wasteful spending. The remainder will be covered by the use of hidden funds, such as reserved funds in the special account of the fiscal investment and loan program, and the scrapping of tax reductions for dependents. The sales tax will be left unchanged. Key policy proposals are: (1) cuts in wasteful spending; (2) reform of the pension and medical services systems; (3) assistance for child-rearing and education; (3) promotion of decentralization of power and agriculture; and (5) environmental and employment measures.

15) Kunio Hatoyama: I can't support the cabinet; Criticizes reappointment of Nishikawa as Japan Post president

SANKEI (Page 5) (Full)
June 30, 2009

"The government made a wrong decision. I cannot support the present cabinet," former Internal Affairs and Communications Minister Kunio Hatoyama said when asked by reporters in Himeji City, Hyogo Prefecture, about Japan Post Holdings Co. President Yoshifumi Nishikawa having been reappointed at a general meeting of shareholders on June 29.

In a speech delivered in the city of Osaka yesterday, Hatoyama saw the reappointment of Nishikawa as a problem, saying: "All (Japan

TOKYO 00001467 013 OF 014

Post) executives, who tried to steal the property of the public, have been retained." He also criticized Prime Minister Taro Aso, who was believed to be in agreement with Hatoyama on not allowing Nishikawa to continue serving as Japan Post president, noting: "He made a wrong judgment."

Hatoyama then revealed that he plans to call on young lawmakers in the Liberal Democratic Party (LDP) to form a group in the party before the next House of Representatives election. He stated:

"I can't act in concert with a group that cannot judge between right and wrong. The LDP should be reformed by being split into a second LDP and a third LDP in order to fight the election. Otherwise, the LDP will reach its last moments."

16) Three nabbed for attempting to smuggle equipment convertible for use in weapons to Burma on instructions from DPRK-affiliated company

MAINICHI (Page 2) (Full)

June 30, 2009

Tomohiro Ikeda

The foreign affairs division of the Kanagawa Prefectural Police and the Tobe Police Department arrested Yi Gyong Ho (Lee Kyoung Ho), 41, president of the trading firm "Toko Boeki" (located in Shinjuku Ward, Tokyo), and two others on charges of violating the Foreign Exchange Control Law (attempted export without permission) on June 29 for trying to export a "magnetometric device," which can be converted for use in developing weapons of mass destruction (WMDs), to Burma (Myanmar). The Kanagawa police reckon that North Korea already possesses this equipment, and this was an attempt to proliferate military technology to Burma, with which it has close relations. Police authorities are investigating the background of this case.

The other two suspects arrested are Yasuhiko Muto, 57, president of the trading firm "Daikyo Sangyo" (Shibuya Ward), and Miaki Katsuki, 75, president of the equipment manufacturer "Riken Denshi" (Meguro Ward). They are charged with attempting to export a magnetometric device, which is on the "Catch-all Control" list of items that can potentially be converted for use in WMDs of the Ministry of Economy, Trade, and Industry (METI). The three basically pleaded guilty.

According to the Kanagawa police foreign affairs division, Muto of Daikyo Sangyo, which serves as an agent for Riken Denshi, submitted an export application for Burma at the Yokohama customs office last September on instructions from Yi. He later gave up on the export attempt after being told by METI that an export permit was required. He submitted another application to the Tokyo customs office in January, changing the applicant's name to Riken Denshi. This was judged to be a malicious violation.

According to Kanagawa police, Yi was receiving orders from the North Korea-affiliated trading firm in Beijing "New East International Trading Company." This company's Pyongyang office is on the list of entities possibly involved with WMD development published on METI's website.

A Daikyo Sangyo employee said: "President Muto takes pride in Japan. It is unthinkable that he would help North Korea."

TOKYO 00001467 014 OF 014

The device in question is reportedly indispensable for producing permanent magnets used in missile control systems and centrifuges for uranium enrichment. Items on the "Catch-all" list require permits, except when exporting to the 26 so-called "white countries," including the United States.

ZUMWALT